EAST-WEST MANAGEMENT INSTITUTE, INC.

Financial Statements
For the Years Ended December 31, 2016 and 2015
With Independent Auditor's Report

MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

EAST-WEST MANAGEMENT INSTITUTE, INC.
For the Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
East-West Management Institute, Inc.

We have audited the accompanying financial statements of East-West Management Institute, Inc. (the Institute), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East-West Management Institute, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mitchell & Titus, LLP

June 29, 2017

EAST-WEST MANAGEMENT INSTITUTE, INC.
Statements of Financial Position
As of December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash	$ 460,230	$ 254,964
Contracts and grants receivable	1,495,489	1,563,415
Contributions receivable	280,849	443,425
Prepaid expenses and other assets	223,905	196,725
Restricted cash	16,940	14,218
Property and equipment, net	-	1,563
Total assets	$ 2,477,413	$ 2,474,310
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 543,053	$ 436,644
Deferred revenue	68,061	56,734
Loans payable	500,000	250,000
Total liabilities	1,111,114	743,378
Commitments		
Net assets		
Unrestricted	1,010,333	1,078,646
Temporarily restricted	355,966	652,286
Total net assets	1,366,299	1,730,932
Total liabilities and net assets	$ 2,477,413	$ 2,474,310

The accompanying notes are an integral part of these financial statements.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Statements of Activities
For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND RECLASSIFICATIONS						
U.S. government grants and cooperative agreements	$ 10,243,497	$ -	$ 10,243,497	$ 10,283,548	$ -	$ 10,283,548
U.S. government contracts	1,608,428	-	1,608,428	4,997	-	4,997
Contributed services	208,792	-	208,792	210,411	-	210,411
Other contracts	-	-	-	1,177	-	1,177
Other grants and contributions	246,986	123,609	370,595	143,078	861,360	1,004,438
Net assets released from restrictions	419,929	(419,929)	-	308,704	(308,704)	-
Total revenue and reclassifications	12,727,632	(296,320)	12,431,312	10,951,915	552,656	11,504,571
EXPENSES						
Program	10,971,416	-	10,971,416	9,338,118	-	9,338,118
General and administrative	1,811,236	-	1,811,236	1,863,318	-	1,863,318
Total expenses	12,782,652	-	12,782,652	11,201,436	-	11,201,436
Change in net assets before other income (expense)	(55,020)	(296,320)	(351,340)	(249,521)	552,656	303,135
OTHER INCOME (EXPENSE)						
Interest income	222	-	222	147	-	147
Currency exchange gain (loss)	(573)	-	(573)	18	-	18
Interest expense	(8,442)	-	(8,442)	(8,577)	-	(8,577)
Deferred rent expense	(4,500)	-	(4,500)	(4,500)	-	(4,500)
Bad debt	-	-	-	(6,057)	-	(6,057)
Other expense, net	(13,293)	-	(13,293)	(18,969)	-	(18,969)
Change in net assets	(68,313)	(296,320)	(364,633)	(268,490)	552,656	284,166
Net assets, beginning of year	1,078,646	652,286	1,730,932	1,347,136	99,630	1,446,766
Net assets, end of year	$ 1,010,333	$ 355,966	$ 1,366,299	$ 1,078,646	$ 652,286	$ 1,730,932

The accompanying notes are an integral part of these financial statements.

EAST-WEST MANAGEMENT INSTITUTE, INC.
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (364,633)	$ 284,166
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,563	1,564
Changes in operating assets and liabilities		
Decrease in contracts and grants receivable	67,926	538,257
Decrease (increase) in contributions receivable	162,576	(443,425)
(Increase) in prepaid expenses and other assets	(27,180)	(10,747)
Increase (decrease) in accounts payable and accrued expenses	106,409	(146,842)
Increase in deferred revenue	11,327	56,734
Net cash provided by (used in) operating activities	(42,012)	279,707
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings (payments) of loan principal	250,000	(750,000)
Net cash provided by (used in) financing activities	250,000	(750,000)
Net increase (decrease) in cash and restricted cash	207,988	(470,293)
Cash and restricted cash, beginning of the year	269,182	739,475
Cash and restricted cash, end of the year	$ 477,170	$ 269,182
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 8,442	$ 8,577

The accompanying notes are an integral part of these financial statements.

NOTE 1 ORGANIZATION

East-West Management Institute, Inc. (the Institute, or EWMI) was organized in January 1988 as a not-for-profit corporation under sub-paragraph (a)(5) of Section 102 of the not-for-profit corporation law of the State of New York. The Institute was established to help build the infrastructure and institutions of an open society through the support of a variety of educational, legal, and economic restructuring activities.

The Institute's government revenue arises primarily from contracts, cooperative agreements, and grants from the United States Agency for International Development (USAID) and the U.S. Department of State (collectively, the U.S. Government). Programs covered by these contracts, cooperative agreements, and grants in 2016 and 2015 were as follows:

- Development and implementation of judicial reform, legal aid, and rule of law programs in Cambodia, Albania, Georgia, Vietnam, Serbia and Sri Lanka.
- Training and support for non-governmental organizations, grassroots networks, public policy, and human rights programs in Azerbaijan, Cambodia, Georgia, Kyrgyzstan, and Macedonia.
- Training and support for economic and community development in Azerbaijan.

During 2016 and 2015, the Institute had other programs that were funded through grants from other sources, which included: a project to explore and promote the option for building community-based philanthropic endowments by capturing a portion of the proceeds of privatization; various programs to support public interest legal advocacy, build foundations of justice, in Cambodia; a program to promote transparent development and land use in Cambodia and the Mekong; a program to promote human rights and rule of law in Burma; and a program to reduce pre-trial detention in Liberia.

The Institute also signed a contract in 2016 to develop linkages between US and European academic institutions and the Parliamentary Institute of Cambodia.

As described in Note 7, the Institute implements grant-making programs to foster the rule of law, economic development, and a civil society worldwide. These programs are generally funded from various grants, cooperative agreements, contracts and contributions from governments, and private donors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Accounting</u>

The Institute's financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) in the U.S. as applicable to not-for-profit entities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Net Asset Classification

The Institute's net assets have been presented and classified as unrestricted and temporarily restricted based on the existence or absence of donor-imposed restrictions.

Unrestricted–Resources that are not subject to donor restrictions. Unrestricted amounts may be designated by the Board of Directors (the Board), or management at the Board's direction, to cover any purpose determined by the Institute.

Temporarily restricted–Funds that the Institute may use in accordance with donor restrictions for specific purposes or upon the passage of time (see Note 5).

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Revenue Recognition

Revenue from grants and contracts is recorded when services are performed in accordance with the underlying agreements. Federal funds under the cooperative agreements are recorded as revenue when expenditures are incurred and are billable to the government.

As of December 31, 2016 and 2015, all amounts due under such grants, cooperative agreements, and contracts were deemed to be fully collectible and, accordingly, no allowance for uncollectibility was required.

Contributions

All unconditional contributions are recorded as revenue when received at their fair value. The fair value of long-term receivables is measured based on the present value of future cash flows, with consideration of the expectation about possible variations in the amount and/or timing of the cash flows, the donors' credit risk and other specific factors that would be considered by market participants.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributions *(continued)*

All contributions are considered available for unrestricted use, unless specifically restricted by the donor. The Institute records contributions as temporarily restricted if they are received with donor stipulations that limit their use either by purpose or by the passage of time. When donor restrictions expire (i.e., when a purpose or time restriction is fulfilled), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Cost-Share Amounts and Contributed Services

Cost-share amounts include cash received, from non-U.S. government donors, and expended, as well as in-kind services provided to the applicable USAID grants. These are recorded by the Institute as contributions and program expenses in the accompanying statements of activities.

Contributed services that meet the appropriate criteria are recorded as both contributions and expenses at fair value at the time the services are rendered. These include services of professionals who contributed their time to further develop the Institute's programs.

All of the Institute's Board members have volunteered their time to serve on the Board. The value of this contributed time is not reflected in these financial statements since the services do not meet all of the following criteria for recognition: (a) create or enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation.

Cash

The Institute maintains cash in bank accounts in amounts that may exceed federally insured limits. The Institute has not experienced any losses on these accounts.

Property and Equipment

The Institute capitalizes property and equipment purchased at a cost of $5,000 or more. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets purchased, which range from three to seven years.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Functional Allocation of Expenses

Costs that are specifically identifiable to programs or to management and administration are charged directly to such functions. Costs incurred for both programs and general and administration are allocated based on certain factors, such as the time spent on activities performed under the respective functions. The Institute does not perform fund-raising activities.

Income Taxes

The Institute is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and from state income taxes.

Management evaluated the Institute's tax positions and concluded that, as of December 31, 2016, there were no uncertain tax positions taken or are expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying financial statements.

The Institute is subject to audits by taxing jurisdictions; however, no audits for any tax periods are currently in progress. Management believes that the Institute is no longer subject to income tax examinations by federal, state, or local tax authorities for years ended on and prior to December 31, 2012.

Statements of Cash Flows

The Institute adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows*, during 2016 and applied the ASU retrospectively to 2015. Accordingly, the following table provides a reconciliation of cash and restricted cash within the accompanying statements of financial position that sum to the total of the same amounts shown in the accompanying statements of cash flows.

	2016	2015
Cash	$ 460,230	$ 254,964
Restricted cash	16,940	14,218
	$ 477,170	$ 269,182

Amounts included in restricted cash represent amounts held on behalf of certain employees.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The ASU requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also expands the footnote disclosure requirements related to contracts with customers. In August 2015, the effective date of the ASU was deferred for the Institute to January 1, 2019. The Institute is currently evaluating the impact of the adoption of the ASU on the Institute's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU requires an entity to recognize all lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The effective date of the ASU for the Institute is January 1, 2021. The Institute is currently evaluating the impact of the adoption of the ASU on the Institute's financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). The ASU amends the requirements for presentation of the financial statements and notes. In particular, it enhances the qualitative and quantitative disclosures of the net asset classes, investment return, expenses, liquidity and availability of resources, and operating cash flows. The effective date of the ASU for the Institute is January 1, 2019. The Institute is currently evaluating the impact of the adoption of the ASU on the Institute's financial statements.

Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2016 were expected to be collected as follows:

	2016	2015
Less than one year	$ 280,849	$ 303,425
One to five years	-	140,000
	$ 280,849	$ 443,425

NOTE 3 CONTRIBUTIONS RECEIVABLE *(continued)*

The fair value adjustment on the amounts due in more than one year at the time of the contribution was not material in 2015.

NOTE 4 DEFERRED REVENUE

Funds under the following grants were recorded as deferred revenue and recognized as revenue based on expenditures incurred.

	2016			
	Opening Balance	Funds Received	Recognized as Revenue	Deferred Revenue
The Land Portal Foundation	$ 10,049	$ 7,789	$ 17,838	$ -
The Mekong Regional Land Governance Project by Land Equity International Pty, Ltd.	46,685	112,500	135,135	24,050
Stockholm University	-	61,077	53,329	7,748
Partners Asia	-	44,371	38,108	6,263
Landesa	-	30,000	-	30,000
	$ 56,734	$ 255,737	$ 244,410	$ 68,061

	2015		
	Funds Received	Recognized as Revenue	Deferred Revenue
The Land Portal Foundation	$ 10,049	$ -	$ 10,049
The Mekong Regional Land Governance Project by Land Equity International Pty, Ltd.	50,000	3,315	46,685
	$ 60,049	$ 3,315	$ 56,734

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 consisted of contributions for the following purposes:

	2016	2015
Philanthropication through Privatization (a program for building community-based philanthropic institutions in less developed countries)	$ 193,265	$ 341,918
Centre for Peace and Conflict Studies	-	573
Making all Voices Count-Liberia - Hivos/USAID	-	22,608
Prison Fellowship Liberia	-	1,000
Support for development of public interest law in Cambodia	-	74,000
Open Development Initiative - MacArthur Grant	110,034	190,962
Open Development Cambodia Project	42,667	21,225
Chino Cienega	10,000	-
	$ 355,966	$ 652,286

Net assets released from restrictions consisted of expenditures for the following purposes:

	2016	2015
Philanthropication through Privatization (a program for building community-based philanthropic institutions in less developed countries)	$ 148,652	$ 64,935
Making all Voices Count-Liberia - Hivos/USAID	22,608	32,313
Support for development of public interest law in Cambodia	74,000	74,000
Kosova Women's Network	2,424	11,108
Open Development Initiative - MacArthur Grant	80,928	9,038
Open Development Cambodia Project	88,557	117,310
Prison Fellowship Liberia	1,000	-
Centre for Peace and Conflict Studies	1,760	-
	$ 419,929	$ 308,704

NOTE 6 GOVERNMENT GRANTS, COOPERATIVE AGREEMENTS, AND CONTRACTS

The Institute's grants, cooperative agreements, and contracts with the U.S. Government and sub-contracts with certain pass-through entities generally cover several periods. At the end of the year, total funds available consisted of the following: $21,704,688 in 2016 and $28,231,203 in 2015 under remaining grants and cooperative agreements; $27,682,739 in 2016 under remaining contracts; and $116,385 in 2015 under remaining sub-awards. These funds will be recognized as revenue when the services have been rendered.

The Institute is obligated to provide matching funding under certain U.S. Government grants and cooperative agreements. Subject to certain restrictions, matching funds may be met with funds from other grants and contracts, and cost-share amounts (see Notes 2 and 7), and other contributions. Matching funds obligated and not yet provided under remaining grants and cooperative agreements totaled $2,004,195 and $2,863,008 at December 31, 2016 and 2015, respectively.

All contracts, cooperative agreements, and grants with the USAID and the U.S. Department of State allow the Institute to charge for indirect costs using a provisional indirect cost rate for the year, which may be different from the actual indirect cost rate that may be finally allowed for that year under such contracts, cooperative agreements, and grants. Adjustments for the difference between the indirect costs allowed under the provisional rate and the actual indirect costs incurred during the year are accrued and recognized in the financial statements in the year in which the differences occur.

During 2016, the Institute's actual indirect costs were lower than the amount billed throughout 2016, using the provisional indirect cost rate, by a net amount of $48,168. This amount was presented as a reduction of grants and contracts receivable in the accompanying financial statements at December 31, 2016, and will be deducted from the 2017 billing to USAID and the U.S. Department of State after approval of the final indirect cost rate by the USAID.

During 2015, the Institute's actual indirect costs were higher than the amount billed throughout 2015 using the provisional indirect cost rate. At December 31, 2015, the federal government and other contractors owed a net total of $238,704 to the Institute in indirect cost adjustments for 2015 for its contracts and cooperative agreements. Such amount has been included in the Institute's revenue and contracts and grants receivable in the accompanying financial statements at December 31, 2015, and are expected to be collected in 2017 after the USAID's final approval of the indirect cost rate.

NOTE 7 GRANT EXPENSE

The Institute implements grant-making programs to foster the rule of law, economic development, and a civil society worldwide. The activities it has supported include the development of non-governmental organizations (NGOs) and professional associations; promotion of ethnic tolerance, human rights and independent media; rural economic development and curriculum development; and research and policy reform in transitional countries. A significant goal is the sustainability of local institutions. The Institute complements its grant-making with capacity-building activities for NGOs and other groups, professional training, and advisory services. It also engages other donors to co-fund programs and sub-grantees.

Generally, grants are awarded through a competitive grant application process. In addition, the Institute supports certain unsolicited proposals and partnerships. The Institute made cash grants of $4,403,906 in 2016 and $3,835,801 in 2015 to local NGOs and other groups. Sub-grantees' cost share under these programs totaled $714,838 in 2016 and $533,298 in 2015.

NOTE 8 EMPLOYEE BENEFIT PLAN

The Institute maintains a defined contribution plan (the Plan) under Section 401(k) of the Code, covering substantially all employees. Under the Plan, which was established in 1999, the Institute provides matching contributions equal to 3% of all qualified employees' compensation to the 401(k) component of the Plan. The Institute additionally elected to contribute 2.2% and 0.54% of all qualified employees' compensation to the revenue-sharing component of the Plan during 2016 and 2015, respectively. The Institute's total contributions to the Plan were approximately $109,700 in 2016 and $74,400 in 2015. An officer of the Institute serves as the Plan's trustee.

NOTE 9 FUNCTIONAL EXPENSES

The Institute's expenses were allocated to functional categories as follows:

	Year Ended December 31, 2016		
	Program	General and Administrative	Total
Salaries and employee benefits	$ 3,653,526	$ 1,222,767	$ 4,876,293
Consultants and related expenses	1,147,336	96,100	1,243,436
Rent	236,004	170,195	406,199
Office expense and supplies	153,691	50,779	204,470
Depreciation	-	1,563	1,563
Travel and meals	214,586	54,760	269,346
Insurance	17,383	54,661	72,044
Overseas allowances	202,429	1,147	203,576
Grants and subcontracts	4,743,743	-	4,743,743
Messengers and postage	3,707	863	4,570
Noncapitalized equipment	73,695	10,526	84,221
Telecommunications	31,685	13,559	45,244
Other professional services	9,595	87,082	96,677
Meetings and trainings	446,400	3,631	450,031
Miscellaneous	37,636	43,603	81,239
Expenses as presented in the statement of activities	10,971,416	1,811,236	12,782,652
Other expenses			
Interest	-	8,442	8,442
Deferred rent	-	4,500	4,500
	-	12,942	12,942
Total	$ 10,971,416	$ 1,824,178	$ 12,795,594

NOTE 9 FUNCTIONAL EXPENSES *(continued)*

	Year Ended December 31, 2015		
	Program	General and Administrative	Total
Salaries and employee benefits	$ 3,327,758	$ 1,223,275	$ 4,551,033
Consultants and related expenses	798,462	134,639	933,101
Rent	245,957	160,807	406,764
Office expense and supplies	133,418	52,605	186,023
Depreciation	-	1,564	1,564
Travel and meals	219,953	85,229	305,182
Insurance	9,814	54,476	64,290
Overseas allowances	209,218	-	209,218
Grants and sub-contracts	3,948,904	-	3,948,904
Messengers and postage	8,570	1,782	10,352
Noncapitalized equipment	37,201	9,980	47,181
Telecommunications	39,806	14,216	54,022
Other professional services	5,571	101,071	106,642
Meetings and trainings	299,762	3,215	302,977
Miscellaneous	53,724	20,459	74,183
Expenses as presented in the statements of activities	9,338,118	1,863,318	11,201,436
Other expenses			
Interest	-	8,577	8,577
Deferred rent	-	4,500	4,500
Bad debt	-	6,057	6,057
	-	19,134	19,134
Total	$ 9,338,118	$ 1,882,452	$ 11,220,570

NOTE 10 COMMITMENTS AND CONTINGENCIES

Loan Agreement

On September 19, 2013, the Institute entered into a loan agreement (the Agreement) with Bank of America, N.A. (the Bank), whereby the Bank provided the Institute with a revolving line of credit (the Facility) in the amount of $1,000,000 (the Facility Commitment). The Facility, as renewed, ends on December 31, 2017 (the Facility Expiration Date), and may be renewed by the Bank prior to the Facility Expiration Date. The portion of the Facility Commitment not used by the Institute is subject to an unused commitment fee of 0.0625%.

The Loan bears interest calculated daily using the British Bankers Association London Interbank Offered Rate (BBA LIBOR) plus 1.85%. Interest expense in 2016 and 2015 totaled $8,442 and $8,577, respectively.

The payment of the Institute's obligations under the agreement, up to the amount of $1,000,000, is unconditionally guaranteed by another organization (the guarantor).

NOTE 10 COMMITMENTS AND CONTINGENCIES *(continued)*

Loan Agreement *(continued)*

The Institute is in compliance with the terms of the Agreement.

Leases

The Institute leases office space in New York, Washington, D.C. and various foreign locations. The New York office space is under a 10-year sub-lease that commenced on June 1, 2011 and will terminate on May 31, 2021, unless the prime lease is terminated earlier (the NYO sublease). The leases in foreign locations have terms terminating on various dates through 2021.

A portion of the New York office space was sublet, effective November 1, 2014 (the Sub-sublease). The Sub-sublease will terminate on May 31, 2017, unless the NYO sublease or the prime lease is terminated earlier. The sub-subtenant also has the right to terminate the Sub-sublease on not less than six months' prior written notice to the Institute.

Annual future minimum rental payments and income under the leases and subleases are as follows:

	Rental Payments				
Year Ending December 31	NYO Sublease	Washington, D.C.	Foreign Locations	Total	NYO Sub-sublease Income
2017	$ 206,000	$ 26,840	270,332	$ 503,172	$ 12,500
2018	216,000	-	217,234	433,234	-
2019	216,000	-	156,760	372,760	-
2020	216,000	-	50,760	266,760	-
2021	90,000	-	27,694	117,694	-
	$ 944,000	$ 26,840	$ 722,780	$ 1,693,620	$ 12,500

Certain leases may be canceled by the Institute based on certain circumstances or with notice.

Rent expense for years ended 2016 and 2015 was $406,199 and $406,764, respectively. Sublease income of $60,000 in 2016 and $72,000 in 2015 was netted against 2016 and 2015 rent expense, respectively.

NOTE 10 COMMITMENTS AND CONTINGENCIES *(continued)*

Grants, Cooperative Agreements, and Contracts

The Institute is obligated to provide matching funding under certain U.S. Government grants and cooperative agreements. Such obligations under the remaining grants and cooperative agreements at December 31, 2016 totaled $2,004,195 (see Note 6).

Certain grants, cooperative agreements, and contracts may be subject to audit by the funding sources. Such audit might result in disallowances of costs submitted for reimbursement. Management believes that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been accrued in the accompanying financial statements for such potential claims.

NOTE 11 CONCENTRATION OF RISK

The Institute received approximately 91% and 88% of its total revenue in 2016 and 2015, respectively, either directly or indirectly from the USAID. Any significant reduction in the level of support from the USAID could have a material adverse effect on the Institute's programs.

NOTE 12 SUBSEQUENT EVENTS

The Institute evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation was performed through June 29, 2017, the date the financial statements were approved for issuance. There were no subsequent events that should be accounted for or require disclosure in the accompanying financial statements.